CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 23, 1998

H.R. 3830
Utah Schools and Lands Exchange Act of 1998

As ordered reported by the House Committee on Resources on June 17, 1998

SUMMARY

H.R. 3830 would ratify an agreement between the state of Utah and the Department of the Interior (DOI) regarding an exchange of certain state and federal lands, mineral interests, and a cash payment. The agreement supersedes and expands on an exchange provided for under the Utah Schools and Lands Improvement Act of 1993 (Public Law 103-93).

Enacting H.R. 3830 could affect direct spending (including offsetting receipts); therefore, pay-as-you-go procedures would apply, but the aggregate effect over the next five years is not likely to be significant. Because the federal land to be offered to Utah does not currently generate significant mineral receipts and the extent of future development of that land is uncertain, the exchange would probably not result in a significant loss of mineral receipts within the next five years. Enacting the bill would probably shift the timing of some payments between the federal government and Utah, but we do not expect a net change in payments over the 1999-2003 period.

H.R. 3830 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

BACKGROUND

Under current law (Public Law 103-93), the Secretary of the Interior is authorized to acquire about 39,480 acres of surface lands and about 49,460 acres of subsurface lands owned by the state, to be made part of the Navajo and Goshute Indian Reservations. In addition, the current law authorizes the Secretary to acquire about 156,000 acres of surface and subsurface land owned by the state within the boundaries of national parks and forests in Utah. In exchange for acquiring these state lands, the law authorizes the Secretary to offer Utah certain specified coal tracts on federal land, about 3,640 acres of commercial property, up to $50 million in mineral royalties from federal land within Utah, and additional lands as required to complete the exchange. This authorized exchange has not yet been completed, however, because of disagreements on valuation. Those disagreements are currently being contested in court.

DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

H.R. 3830 would ratify an agreement entered into by the state of Utah and DOI on May 8, 1998, superseding and expanding on the exchanges authorized by Public Law 103-93.

Under the agreement, the state of Utah would convey to the federal government about 376,739 surface acres and about 442,719 subsurface acres of state land within the Grand Staircase-Escalante National Monument, the Navajo and Goshute Indian Reservations, and several national parks, recreation areas, and forests.

In return, the federal government would convey to Utah about 138,647 acres of federal land with potential coal resources of roughly 160 million tons; the rights to $13 million (plus interest) in potential future coal royalties and rent from federal coal in a particular tract that is so far undeveloped; potential coal bed methane resources of 185 billion cubic feet; other potential mineral resources such as oil, gas, and limestone; commercial properties; and $50 million in cash upon completion of the exchange. Any future bonus bids generated from the state's sale of the mineral resources on federal land would be split equally between the state and the federal government, reduced by 50 percent of the state's administrative costs.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

Based on information from DOI and Utah, we do not expect that enacting H.R. 3830 would result in any significant costs to the federal government over the next five years. CBO expects that enacting the bill would result in discretionary costs to implement the exchange (for activities such as revising maps and signage), but we estimate that such costs would total less than $500,000 per year. We expect that enacting the bill would have some effect on offsetting receipts, but we do not expect any significant loss of receipts over the next five years, and we have no basis for predicting either the magnitude or the timing of any such potential effects over the long term. The potential effects on direct spending are discussed below.

Mineral Resources

The agreement would provide that Utah receive 160 million tons of coal in certain tracts. In addition, the state would receive the rights to $13 million (plus interest) in potential rent and royalty income from the Cottonwood Tract if the state leases that area, whereas under the exchange authorized by Public Law 103-93 Utah would receive the rights to all unleased coal in the Cottonwood Tract. None of the federal coal resources that would be offered to the state under the exchange are now leased or currently producing, and DOI cannot predict when such resources might generate offsetting receipts in the future, if at all.

The agreement also would provide that Utah receive 185 billion cubic feet of potential coal bed methane resources. According to DOI, most of those resources are not leased, and what is leased generates only a small amount of rent now. DOI considers production of these resources speculative and cannot estimate when or if they would produce receipts to the Treasury under current law.

Because these federal mineral resources could potentially generate offsetting receipts over the 1999-2008 period if they remained in federal ownership, enacting the bill could result in forgone receipts to the Treasury. We expect that there would be no significant loss over the next five years. Because we have no basis for predicting if and when these federal resources might be developed under current law, we cannot estimate any long-term loss of receipts that might occur under H.R. 3830.

The proposed exchange also could increase federal mineral receipts relative to current law for two reasons. First, one of the federal coal tracts authorized for exchange under Public Law 103-93, the Quitchupah (Convulsion Canyon) Tract, is now under lease; because the exchange under H.R. 3830 would exclude this federal tract, it could result in additional receipts to the federal government (relative to current law) if the land generates royalty receipts in the future. Second, based on information provided by the Administration, we understand that the parties to the agreement intend that the state would waive its share of any receipts generated by the federal government on land acquired from Utah. Such a waiver could increase net receipts to the Treasury because under current law Utah would share in such receipts. However, because the language of the agreement appears unclear in this regard, and because CBO has no basis for predicting when or if the federal government would develop such land, we cannot estimate the amount of any additional receipts.

$50 Million Cash Payment

Under H.R. 3830, the federal government would pay $50 million to Utah upon completion of the exchange. This payment would replace one of the same amount authorized by Public Law 103-93. It seems likely that the $50 million payment to Utah under Public Law 103-93 would eventually be made sometime during the 1999-2003 period, either under a settlement or pursuant to a court decision, but we cannot predict precisely when the payment would occur. Under H.R. 3830, the cash payment would likely occur in fiscal year 1999. Therefore, we expect that enacting the bill might result in a shift in the timing of the cash payment, but would not change the aggregate amount of cash payments over the next five years.

Federal Commercial Properties

Under the agreement, Utah would receive about 3,640 acres of federal land on which a ski resort and a telecommunications site are located. Those properties were part of the exchange authorized under Public Law 103-93. Because it seems reasonably likely that these properties would eventually be exchanged with Utah under current law, this part of the exchange would have no budgetary effect relative to current law.

Development Properties

According to DOI, none of the potential development properties that would be offered to Utah are under lease or generating receipts.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Because enacting H.R. 3830 could affect direct spending (including offsetting receipts), pay-as-you-go procedures would apply. CBO expects that enacting H.R. 3830 would probably shift the timing of some payments between the federal government and Utah, and could result in some loss of offsetting receipts that would otherwise accrue to the government under current law, but we have no basis for predicting either the magnitude or the timing of any such potential effects.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 3830 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The agreement ratified by this bill was entered into voluntarily by the state of Utah. All costs and benefits accruing to the state would be the result of that agreement.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill would impose no new private-sector mandates as defined in UMRA.

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